

Delayed Ex.-PSC-Hubert-6
Docket 9400-YO-100
Witness: Lois Hubert
March 23, 2015
Cover Page

Wisconsin Energy Corporation/Integrus Energy Group

Delayed Exhibit 6 Schedule

Description	Schedule
Amended and Restated Settlement Agreement Dated March 12, 2015 Case No. U-17682	1

Prepared by: Lois Hubert
Public Utility Financial Analyst, Gas and Energy Division
Public Service Commission of Wisconsin

**STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

* * * * *

In the matter of the joint application of)	
WISCONSIN ENERGY CORPORATION and)	
INTEGRYS ENERGY GROUP, INC. , for approval,)	
pursuant to MCL 460.6q, for the transfer of control of)	Case No. U-17682
WISCONSIN PUBLIC SERVICE CORPORATION)	
and MICHIGAN GAS UTILITIES CORPORATION ;)	
and the joint request of WISCONSIN PUBLIC)	
SERVICE CORPORATION, MICHIGAN GAS)	
UTILITIES CORPORATION and WISCONSIN)	
ELECTRIC POWER COMPANY for waivers from, or)	
declarations regarding the applicability of, the code of)	
conduct and affiliate transaction guidelines)	
<u>and related approvals.</u>)	

**AMENDED AND RESTATED
SETTLEMENT AGREEMENT**

Pursuant to MCL 24.278 and Rule 431 of the Rules of Practice and Procedure before the Michigan Public Service Commission ("MPSC" or the "Commission"), R 792.10431, settlement discussions were conducted among Wisconsin Energy Corporation ("WEC"), Integrys Energy Group, Inc. ("Integrys"), Wisconsin Public Service Corporation ("WPS Corp"), Wisconsin Electric Power Company ("Wisconsin Electric"), Michigan Gas Utilities Corporation ("MGUC") (collectively, "Joint Applicants"), the MPSC Staff ("Staff"), Attorney General Bill Schuette ("AG"), Tilden Mining Company, L.C. ("Tilden Mine"), and Empire Iron Mining Partnership ("Empire Mine") (collectively, Tilden Mine and Empire Mine, the "Mines"). As a result of such settlement discussions the signatories to this Amended and Restated Settlement Agreement agree as follows:

1. On August 6, 2014, Joint Applicants filed a Joint Application with the Michigan Public Service Commission ("MPSC") pursuant to Section 6q of 2008 PA 286; MCL 460.6q

requesting, among other things, all required approvals in connection with the transfer of control of WPS Corp and MGUC from Integrys to WEC, pursuant to an Agreement and Plan of Merger, as fully described in the Joint Application ("Proposed Transaction"), pursuant to which WEC will acquire the outstanding shares of Integrys.

2. Pursuant to due notice, a prehearing conference was held August 29, 2014, before Administrative Law Judge ("ALJ") Sharon L. Feldman. At the prehearing conference, the AG's Notice of Intervention was granted. The ALJ also granted Petitions for Leave to Intervene filed by CARE, the Mines, Verso, Fibrek, and Cloverland. The Staff also participated in the proceedings.

3. On October 30, 2014, the ALJ granted the AG's motion to modify the schedule in order to pursue settlement discussions.

4. On January 30, 2015, the Attorney General filed a settlement agreement that was signed by all the parties in this case except Cloverland ("January 30, 2015 Settlement Agreement"). Thereafter, a revised case schedule was set for contested settlement proceedings pursuant to Rule 431 of the Commission's Rules of Practice and Procedure, R 792.10431.

5. Subsequent to the filing of the January 30, 2015 Settlement Agreement, and while contested settlement proceedings on the January 30, 2015 Settlement Agreement were pending, the signatories to this agreement negotiated this Amended and Restated Settlement Agreement.

6. The signatories to the Amended and Restated Settlement Agreement agree that the Proposed Transaction satisfies the requirements under MCL 460.6q(7) and that the relief requested in the Joint Application, including the requested waivers associated with the Code of Conduct and the Affiliate Transaction Guidelines of Case No. U-13470, should be granted, and:

- a. Wisconsin Electric will not enter into a System Support Resource ("SSR") agreement with Midcontinent Independent System Operator, Inc. ("MISO") for the operation of the Presque Isle Power Plant ("PIPP") so long as both Mines, if operational, remain full requirements customers of Wisconsin Electric until the earlier of: (i) the day the new, clean generation plant located in the Upper Peninsula of Michigan ("Plant"), discussed further below, commences commercial operations; or (ii) December 31, 2019.
- b. Wisconsin Electric will operate PIPP according to prudent utility practice, and provide safe, reliable, and adequate electric service to all of Wisconsin Electric's Michigan retail customers.
- c. No other Michigan customers' retail rates will be increased as a result of the special contracts entered into between Wisconsin Electric and the Mines.
- d. Wisconsin Electric will make necessary capital investments in PIPP to continue operation of PIPP until the earliest of: (i) December 31, 2019; (ii) the Plant commences commercial operation; or (iii) an earlier retirement date of PIPP agreed to between Wisconsin Electric and the Mines.
 - (i) Wisconsin Electric shall disclose its planned capital expenditures for the life of PIPP to the MPSC Staff. Wisconsin Electric shall limit such capital investments as much as is prudent, and shall advise the MPSC Staff at least 4 weeks in advance if possible, but in urgent situations no later than 7 days after the capital expenditure is made, of any capital expenditure or group of capital expenditures for a singular purpose of more than \$5,000,000 not included in the original plan.

- (ii) Michigan allocated revenues collected by Wisconsin Electric through the SSR Agreements at issue in FERC dockets ER14-1242, ER14-1243, ER14-2860, and ER14-2862 shall be applied first to Michigan full requirements customer refunds, and then to offset capital expenditures. Any remaining SSR funds may be put to any other permissible purpose.
- e. If, notwithstanding Section 6.a. above, the Mines that are operational are full requirements customers of Wisconsin Electric, and Wisconsin Electric enters into a SSR Agreement for PIPP, Wisconsin Electric shall refund to all Michigan customers the amount of the new SSR paid by those customers per such SSR agreement within 10 days of Wisconsin Electric's receipt of such SSR payments from MISO. The MPSC shall have the ability to audit these refunds.
- f. If either the Tilden Mine or the Empire Mine, while being operational, choose to participate in Retail Access Service prior to the earliest of: (i) December 31, 2019; (ii) the Plant commences commercial operation; or (iii) an earlier retirement date of PIPP agreed to between Wisconsin Electric and the Mines, and Wisconsin Electric seeks an SSR agreement for PIPP, the Mines shall reimburse all Michigan customers. The reimbursement mechanism for Michigan customers of Wisconsin Electric shall be the net amount of the fixed PIPP SSR costs paid by those customers per such SSR agreement. Wisconsin Electric shall notify the Mines of the amount due to customers on a monthly basis during the life of the SSR agreement. The amount of fixed PIPP SSR costs shall be offset by those customers' allocated share of PIPP SSR revenues Wisconsin Electric receives. Such reimbursement shall occur within 10 days of notification by Wisconsin Electric of

receipt of such payments, with the Mines making full payment to Wisconsin Electric. The MPSC shall have the ability to audit these refunds.

g. WEC makes a binding commitment to be an investor in the Plant by having Wisconsin Electric, or, if formed, its future Michigan-only utility do the following:

(i) At the option of the Mines, WEC will either: (i) make a minority interest equity investment in the Plant proposed by the Mines with potentially a third-party and agree to off-take an amount of energy equal to the Michigan jurisdictional non-Mine load of WEC's electric utility subsidiaries; or (ii) off-take an amount of energy equal to the Michigan jurisdictional non-Mine load of WEC's electric utility subsidiaries less WEC's current Michigan hydro-facility capacity (not to exceed 8 MW) without making a minority equity investment in the Plant. While such Plant is still in the planning process and the capabilities and terms are generally unknown, such investment will be on the same financial terms as the majority investor. WEC's Michigan subsidiaries will enter into a PPA or PPAs for energy from the Plant at a rate equal to the cost to serve non-Mine customers from the Plant, in full consideration of the reliability benefit of the new Plant, for a term equal to the contract term between the Mines and the potential third party. The agreement for this investment must be executed by July 31, 2016.

(ii) If the agreement for the investment described in Paragraph 6.g.(i), above, has not been executed by July 31, 2016, then WEC will either: (i) negotiate an agreement with the Mines to develop such Plant; or (ii) off-take an amount of energy equal to the Michigan jurisdictional non-Mine load of WEC's electric utility subsidiaries less WEC's current Michigan hydro-facility capacity (not to exceed 8

MW) without making a minority equity investment in the Plant. While the Plant is still in the planning process and the capabilities and terms are generally unknown, such investment will be on the same financial terms as the Mines. WEC's Michigan subsidiaries will enter into a PPA or PPAs for energy from the Plant at a rate equal to the cost to serve non-Mine customers from the Plant, in full consideration of the reliability benefit of the new Plant, for a term equal to the contract term between the Mines and the potential third party. The agreement for this investment must be executed by December 31, 2016.

(iii) If the agreement for the investment described in Paragraph 6.g.(ii), above, has not been executed by December 31, 2016, and it is reasonable and prudent and in the best interests of Michigan ratepayers, then WEC will construct, own and operate the Plant, if reasonable and prudent to do so and is in the best interests of Michigan ratepayers, as a Michigan only asset subject to the requirement that the Mines have previously signed an agreement to receive all their electric load from the Plant, for a period of ten (10) years, beginning January 1, 2020. In this event, the Mines agree to enter into such an agreement with WEC (or its successor). If WEC and the Mines are unable to agree to a rate, or any other term of service in the agreement, the MPSC shall have the authority to resolve the dispute under a just and reasonable standard.

For (i) through (iii) above, the investment and PPA is subject to the issuance of a Certificate of Necessity under all subsections of MCL 460.6s(3) assuring that if granted WEC's investment and/or its Michigan-only utility's investment in and the cost of the

Plant and/or PPA will be fully recovered through Michigan retail rates, if just and reasonable.

WEC further agrees to the creation of a Michigan-only jurisdictional utility to facilitate this long-term solution, if reasonable and prudent, with timing to be determined with the MPSC. All investment and costs associated with the Plant would be allocated to the Michigan jurisdictional utility and would not require approval by the Public Service Commission of Wisconsin.

h. WEC and Wisconsin Electric shall advocate within American Transmission Company, LLC to ensure that studies regarding the necessary configuration of the Plant in order to replace PIPP from a transmission planning point of view proceed fairly and expeditiously.

7. This Amended and Restated Settlement Agreement is conditioned on the MPSC's approval of the special contracts entered into between Wisconsin Electric and the Mines dated March 12, 2015.

8. The signatories agree that this Amended and Restated Settlement Agreement is reasonable, prudent, in the public interest and will aid in the expeditious conclusion of this case.

9. The January 30, 2015 Settlement Agreement is withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose.

10. If the Commission approves this Amended and Restated Settlement Agreement without modification, none of the signatories to this settlement will challenge the Commission's Order in Case No. U-17682 approving this settlement, including but not limited to challenging the lawfulness of the Commission's approval being subject to the conditions set forth in this Amended and Restated Settlement Agreement or the adequacy of the record to support the

Commission's Order. This Amended and Restated Settlement Agreement will not prejudice the positions taken by any of the parties in any proceedings regarding the SSR agreements, or the amounts of or allocation of SSR expenses and credits for operations conducted and service provided prior to the termination of the PIPP SSR agreement on February 1, 2015

11. This Amended and Restated Settlement Agreement has been made for the sole express purpose of reaching compromise among the positions of the signatories. All offers of settlement and discussions relating to this Amended and Restated Settlement Agreement shall be considered privileged as provided in MRE 408. If the Commission approves this Amended and Restated Settlement Agreement without modification, neither the signatories to this Amended and Restated Settlement Agreement nor the Commission shall use it as a reason, authority, rationale or example for taking any action or position or making any subsequent decision in any other cases or proceeding; provided, however, such reference or use may be made to enforce the Amended and Restated Settlement Agreement and Order.

12. Provided that all parties to this case are signatories to this Amended and Restated Settlement Agreement or file statements of non-objection or fail to object within the time frame set forth in Rule 431 of the Rules of Practice and Procedure Before the Commission, then it is agreed that Section 81 of the Administrative Procedures Act of 1969, MCL 24.281, is waived as it applies to this proceeding, if the Commission approves this Amended and Restated Settlement Agreement without modification.

13. This Amended and Restated Settlement Agreement is not severable. Each provision of the Amended and Restated Settlement Agreement is dependent upon all other provisions of the Amended and Restated Settlement Agreement. Failure to comply with any provision of the Amended and Restated Settlement Agreement constitutes failure to comply

with the entire Amended and Restated Settlement Agreement. If the Commission rejects or modifies this Amended and Restated Settlement Agreement or any provision of the Amended and Restated Settlement Agreement, the Amended and Restated Settlement Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose.

WISCONSIN ENERGY CORPORATION,
INTEGRYS ENERGY GROUP, INC., WISCONSIN
ELECTRIC POWER COMPANY, WISCONSIN
PUBLIC SERVICE CORPORATION and
MICHIGAN GAS UTILITY CORPORATION

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MICHIGAN PUBLIC SERVICE COMMISSION
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Dated: March 12, 2015

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Dated: March 12, 2015

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